STATE OF MICHIGAN

CIVIL SERVICE COMMISSION

COORDINATED COMPENSATION PANEL

COORDINATED COMPENSATION PROPOSAL

for

FISCAL YEAR 2003

Recommendations for Nonexclusively Represented Employees of the State of Michigan Classified Service for the Fiscal Year Beginning October 1, 2002

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SUMMARY OF PROPOSAL

This year, the OSE and four of the five participating LRO's (ASEM, MAGE, MSPCOA, and MPMA) reached a consensus agreement reflecting a coordinated approach to compensation increases and fringe benefits changes for fiscal years 2003, 2004, and 2005.

THE PANEL PROPOSES that the Commission approve the following recommendations contained in that agreement pertaining to FY 2003.

- A 2% across-the-board pay increase effective October 1, 2002.
- An increase in the Emergency Response Compensation for Michigan State Police Command Officers from $3.75 to $4.00 a day, effective October 1, 2002.
- Replacement of the current Basic and Major Medical Plan (State Health Plan Advantage) with a Preferred Provider Organization (PPO) Plan to be known as "The State Health Plan" effective January 1, 2003.
- An increase from $5 to $7 per prescription co-pay for generic drugs and an increase from $10 to $12 per prescription co-pay for brand name drugs effective January 1, 2003.
- An increase in the maximum annual dental benefit from $1,000 to $1,250, effective October 1, 2002.
- A Long-Term Care Benefit to be implemented as soon as administratively possible with premiums fully employee paid and a joint OSE/LRO study of the feasibility of an Elder Care Referral Service.

- Establishment of a Special Severance Fund of $250,000 for MSC and B & A unit employees indefinitely laid off on or after October 1, 2001, to be paid on or after October 1, 2002.
- Renewal of the Professional Development Fund for MSC employees at $150,000, and renewal of the Professional Development Fund for B & A unit employees at $50,000.

THE PANEL PROPOSES that the Commission continue:

- The pay premiums for Department of Consumer & Industry Services Insurance Examiners and Department of Treasury Auditors at their current levels of $10 and $25 per day, respectively, for employees working and/or residing out of state, as provided in Civil Service Rules 5-6.3 and 5-6.4.

THE PANEL PROPOSES that the Commission deny the following.

- A 7% general wage increase recommended by MSU/OPEIU and a 6% general wage increase recommended by James Brogan.
- A special $1.50 per hour wage increase for Corrections Shift Supervisors 11, 12, and 13 recommended by the MSU/OPEIU.
- A special 25% base pay increase for Dentists 16 recommended by the MSU/OPEIU.
- A 10% increase to the maximum salary rate for Vocational Rehabilitation Managers 15 recommended by the employees in this classification.

- Extension of current health insurance benefits to same-sex domestic partners, as recommended by Pedro Crespo.

TOTAL COST OF PROPOSAL - $24,016,054

INTRODUCTION

Civil Service Commission Rule 1-15, states that the Employment Relations Board shall serve as the coordinated compensation panel. Rule 2-2, *Coordinated Compensation Plan,* states: "The coordinated compensation panel shall send a recommended coordinated compensation plan for all nonexclusively represented classified employees to the civil service commission. The panel shall consider negotiated collective bargaining agreements, any impasse panel recommendations, and any recommendations of the employer or employees." Regulation 6.06, *Employment Relations Board Procedures: Coordinated Compensation* establishes a process for participants and guidelines that may be used by the Panel in making its recommendations.

Under the Regulation, *§ 201*, participants in the Coordinated Compensation Plan (CCP) process include the Governor/Office of the State Employer (OSE) and organizations granted limited recognition rights under *Rule § 6-8.3(b)*. The Limited Recognition Organizations (LRO's) participating in the 2001 CCP are listed below.

- Association of State Employees in Management (ASEM)
- Michigan Association of Government Employees (MAGE)
- Michigan State Police Command Officers Association (MSPCOA)
- Michigan Supervisors Union, OPEIU Local 512 (MSU/OPEIU)
- Michigan Professional Mediators and Associates *(Party to Consensus Agreement - no separate position submitted)*

Under *§ 202* of the Regulation, all classified employees occupying excluded positions, and classified employees not exclusively represented who are not members of LRO's may participate in the CCP process upon leave granted by the Panel. This year, two individuals and one group of employees participated: James Brogan, Rights Representative Manager 15, Department of Consumer & Industry Services; Pedro Crespo, Disability Examiner Manager 13, Family Independence Agency; and the Vocational Rehabilitation Mangers 15, Department of Career Development.

The Panel held a hearing on November 13, 2001. The participants presented highlights of their positions and responses to the opposing party. Members Susan Zurvalec and Richard Warner were present. William Braman was unable to attend due to a family emergency; however, he was a full participant in the review of the materials submitted and the decisions.

The following guidelines of the Regulation, *§401,* are used by the Panel in making its determinations:

(1) The public interest and welfare, including the current and forecasted financial condition of the State.

(2) Comparison of the overall compensation received by excluded and nonexclusively represented classified state employees with the overall compensation received by exclusively represented classified state employees as the result of negotiated agreements and/or impasse panel recommendations.

(3) Comparison of the rates of pay, the continuity and stability of employment, and the overall compensation and benefits received by excluded and non-exclusively represented classified state employees with employees performing similar services in other public employment and in private employment.

(4) Such other considerations, not limited to the foregoing, which are appropriate to the sound and rational determination of a coordinated compensation plan.

ECONOMIC OVERVIEW

A briefing on FY03 revenue forecasts and budget projections was provided to the Panel during the hearing as part of the OSE's presentation. Statements and documents were received from Mark Haas, Director of the Office of Revenue and Tax Analysis in the Department of Treasury, and Nancy Duncan, Deputy State Budget Director, Department of Management and Budget. Following is a brief summary of the information provided.

Official revenue estimates from the Consensus Revenue Estimating Conference used for the FY 2003 Budget will not be available until January, 2002. However, the consensus economic and revenue agreement made by the house, senate, and the administration in October provides an overview of the current economic conditions and an unofficial projection of revenues for the next fiscal year.

Mr. Haas reviewed several indicators pointing to the conclusion that the nation is currently in a recession. On November 26, 2001, the National Bureau of Economic Research officially declared that a recession began in March 2001. The national economy has slowed significantly over the last eighteen months. U.S. gross domestic product (GDP) has declined for two quarters and unemployment claims have grown dramatically over the last year and a half, from 275,000 per week to over 500,000 per week.

Upon recognition of its existence, questions then focus on how long and how deep the recession will be. Mr. Haas reviewed experiences with all past recessions since 1957 in order to put the current recession in perspective. The average length during that time period was three quarters, with an average decline in GDP of 2.3%. It is anticipated that the current recession will be much milder, lasting only two quarters with a GDP decline of only 0.7%.

Mr. Haas cited several reasons for such a mild forecast for this recession, including federal fiscal stimulus, low interest rate levels, and low energy prices.

The large federal fiscal stimulus already enacted includes a tax cut plan which will create about $70 billion of stimulus over the next fiscal year and another $82 billion the following year, with further tax cuts already being discussed. The federal government has also increased spending, primarily in response to the weakening economy and the September 11 attacks. Interest rates are also at the lowest level in 40 years, further stimulating the economy and increasing consumer spending. Finally, a milder recession is expected because of the historically low energy prices over the last couple of years and the expectation that they will remain low over the next eighteen months.

In Michigan, Mr. Haas indicated that the forecast for a decline in vehicle sales and wage and salary employment and the increase in inflation are expected to be moderate. Wage and salary employment is expected to decrease by 0.3% in 2002, and the Detroit CPI, the measure of inflation, is expected to decline from 3.3% in 2001 to just over 2% in 2002.

Even though Michigan's economy is expected to recover quickly, Mr. Haas indicated that there is still concern about the amount of revenues available in 2002. The new tax cuts for fiscal year 2003 will total approximately $464 million. With all of the tax cuts that have been enacted and those that will be phased in over the next couple of years, there will be a total of $765 million in new revenue cuts. Therefore, if baseline revenue grows at a rate of 4%, which is a 30-year average, and the $464 million in new tax cuts are subtracted, the result is a 1% decline in 2003 from what was available in 2002. A baseline revenue increase of 5% would result in a net growth of 0.2%, and a 6% growth would create a 1.2% net increase.

Mr. Haas concluded his presentation by reiterating the value of maintaining the AAA bond rating received a few years ago by the Wall Street ratings agencies. Prudent fiscal management will allow Michigan to keep the rating and keep its interest rates low.

Ms. Duncan explained the implications of the preceding revenue forecast on the state budget. She described the current-year budget situation, with a revenue shortfall of $500 million and the necessity to enact budget cuts and withdraw funds from the Budget Stabilization Fund (BSF) in order to balance this year's budget. The legislature recently authorized withdrawal of $350 million from the BSF in order to balance the school aid fund. The governor also issued an executive order (Executive Order 2001-9), approved by legislative appropriations committees, which includes ongoing expenditure reductions, one-time budget cuts, and utilization of certain restricted revenues in order to balance the general fund-general purpose budget, for a total reduction of $464 million.

In light of the current year budget constraints, Ms. Duncan went on to discuss the FY 2003 budget situation. Assuming a 5% growth in general fund-general purpose revenues, which is consistent with increases over the last ten years, the net available revenue would be $8.8 billion. The current year budget after Executive Order 2001-9 is $9.3 billion, which would leave an expenditure gap of about $500 million next year without including any new spending pressures.

Several items are likely to add new budget pressures during fiscal year 2003. The state's contribution to Medicaid funding is likely to increase, costing approximately $75 million. Another pressure will be the general fund contribution to the school aid fund. This is not a mandated expenditure, so the contribution will range from $0 to $215 million. The non-discretionary Medicaid increases (caseload growth, increased utilization, procedure increases) represent another $45 to $135 million in new budgetary pressures. Debt service payments, such as Clean Michigan Initiative bonds and school bond loan funds, are also expected to increase in 2003 by $20 to $40 million. Other non-discretionary costs, such as caseload growth in the Family Independence Agency, and discretionary increases in higher education and health care provider spending could add an additional $10 to $220 million. The total estimated ongoing budgetary pressures for fiscal year 2003, excluding employee economic adjustments, will range from $150 to $685 million.

I. General Wage Adjustment

Base Pay Increase

The OSE, ASEM, MAGE, MSPCOA, and MPMA, in a consensus agreement, recommend a 2% general wage adjustment for all nonexclusively represented employees effective October 1, 2002. This is the same general wage increase proposed in tentative agreements between the OSE and the UAW, MCO, SEIU, UTEA, MPES and AFSCME exclusive representatives which, subject to Civil Service Commission approval, will be effective on October 1, 2002.

The MSU/OPEIU recommends a 7% base pay increase for FY 03 or 15% over three years based on wage increases received by other employees in the nation and in Michigan, and comparison of State of Michigan employee pay increases with increases in inflation.

James Brogan recommends a 6% base pay increase to offset increases in employee insurance costs.

Recommendation

THE PANEL RECOMMENDS that the Commission approve a 2% across-the-board base wage increase for nonexclusively represented employees, effective October 1, 2002 consistent with the wage adjustments negotiated for exclusively represented employees. The Panel recommends denial of the 7% increase recommended by MSU/OPEIU and the 6% increase recommended by James Brogan.

II. Special Adjustments and Premiums

A. Corrections Shift Supervisors 11, 12, & 13

LRO Recommendation

The MSU/OPEIU recommends a special $1.50 per hour base wage increase for Corrections Shift Supervisors 11, 12, and 13. The MSU contends that: Corrections Shift Supervisors 11 (CSS11) supervise Resident Unit Officers (RUO's) in approximately 50% of all correctional facilities; the pay difference of less than 5% between these two classifications is inadequate; and, this situation creates recruitment problems for the Department of Corrections (DOC). The MSU submitted a position description for a CSS11 employed in a housing unit at the Michigan Reformatory listing as one of the duties to serve, "…as first line supervisor with responsibility for directing the work of RUO's," as evidence of a supervisory/subordinate relationship.

OSE Response

The employer is opposed to any special pay increase for the Corrections Shift Supervisors.

The OSE referred to the Department of Civil Service classification study completed at the Panel's request for consideration in last year's CCP process. The study revealed that the majority (20 of 37) of correctional facilities did not have CSS11's assigned to housing units, and where they were assigned they did not supervise RUO's. The only "supervisory" role was found to be limited to custody and security issues, and the OSE concluded that the position description submitted by the MSU does not refute these facts.

The employer provided an exhibit documenting turnover rates for Corrections Shift Supervisors for fiscal years 2000 and 2001. The departure rate, including resignations and deferred retirements, for CSS11's in FY 2000 was 2.13%. This rate dropped to only 1.04% in FY 2001. The number of employees in the classification increased from 751 at the end of FY 2000 to 771 by the end of FY 2001. The OSE concludes that these statistics are not indicative of a recruitment or retention problem.

The OSE pointed out that as a result of the recent Executive Order 2001-9 requiring specific budget reductions within state government, the Department of Corrections has issued a notice stating that all Corrections Shift Supervisor positions in housing units will be abolished during the current fiscal year. Thus, there will no longer be any opportunity for CSS11's to be assigned to the same work area as RUO's after this change is implemented on January 5, 2002.

Discussion

This is the eighth time in ten years that this issue has been raised before the Panel. Last year, the Panel concluded that the Civil Service classification study affirmed the accuracy of the classification specifications with regard to the issue of supervision of RUO's and the role of the CSS11. The Panel stated:

> *It is clear from the study that the DOC has exercised its management prerogative to assign staff in ways to maximize security coverage in the highest security facilities. However, the presence of CSS 11's in housing units does not compromise the classification of any of the employees in those units, and does not involve assignment to CSS 11's of responsibility as the direct supervisors of RUO's.*

The Panel's expectation was that this issue had finally been brought to closure.

No new or compelling information was presented this year. The DOC's plan to abolish all CSS11 positions located in housing units by January 5, 2002 renders this a moot issue.

Recommendation

THE PANEL RECOMMENDS that the Commission deny the OPEIU/MSU request for a $1.50 across-the-board special wage increase for Corrections Shift Supervisors 11, 12, and 13.

B. Dentist 16

LRO Recommendation

The MSU/OPEIU recommended a special 25% base wage increase for employees classified as Dentist 16's because of a continuing inability to fill open positions. Drs. Kevin Halub and Ralph Kendall, Dentist 16's from the Department of Corrections (DOC), presented the case to the Panel. They stated that 7 DOC Dentist 16 positions out of 43 are currently vacant, resulting in a 16% vacancy rate. They anticipate that 4 more Dentists will retire next year, creating a potential 26% vacancy rate. This raises concerns over the quantity and quality of dental care that can be provided.

In last year's recommendation to the Commission, the Panel outlined four points that would need to be addressed for this issue to be considered again:

> *1) salary data from OSE's survey of relevant labor market employers, 2) a statement of intent from the appointing authority regarding the filling of Dentist 16 vacancies, 3) a report on the recruitment efforts that have been used, and 4) a proposal for a solution less costly than a 25% across the board increase.*

The MSU noted that the OSE did not include dentists in their survey. The MSU provided maximum salary data for 2001 from two other states: $92,436 in Minnesota and $93,960 in Wisconsin. This compares with the FY02 maximum annual salary for of $88,531 for State of Michigan Dentist 16's. Salary data from the American Dental Association and the Bureau of Labor Statistics was also obtained for private sector dentists showing the State of Michigan Dentist salaries are considerably lower than salaries earned in the private sector. According to the MSU, the private sector salaries are more relevant because Michigan does not compete with other state governments for employees.

Regarding the appointing authority's statement of intent to fill the vacancies, the MSU employees stated that they had a letter from the appointing authority supporting a 15% increase, but stated it was withdrawn following issuance of Executive Order 2001-9. They stated that the DOC continues to advertise in order to fill the current vacancies, thereby demonstrating the department's intent to fill them.

MSU submitted an exhibit showing various recruitment efforts that have been used: a list of the number of recruitment letters sent to existing dentists and recent graduates in Region I; and advertisements for classified and contractual dentists placed in the *Journal of the Michigan Dental Association* and the *Lansing State Journal* over the last two years.

With regard to the fourth point, MSU recommended a 15% base wage increase for fiscal year 2003, and a 5% increase for the next two years, rather than a one-time 25% increase.

OSE Response

The OSE opposes any salary increase for Dentists 16.

The OSE expressed technical concerns regarding the appropriateness of the salary data provided by the MSU and stressed the importance of comparing “apples to apples”. The states selected for comparison did not include other Great Lakes States where salaries tend to be lower, and the benefits packages from the states chosen, though they are not discussed by the MSU, do not compare with the benefits available to State of Michigan employees. Total compensation must also be considered when making comparisons with private sector dentists. Dentists employed by the state do not have the same financial burdens that private sector dentists have, such as establishing and maintaining clientele and the overhead costs of operating a practice.

The OSE stated that the DOC supplements the classified workforce where necessary with Dentists hired on a limited term contractual basis and that they are also compensated for additional hours worked beyond their normal work schedule. The OSE presented exhibits documenting Dentist 16 turnover rates and the cost estimates for MSU’s proposal. These show that the state has hired 11 new employees to the Dentist 16 classification over the last two fiscal years, 10 of them in the DOC. They also show that 7 Dentist 16’s (6 from the DOC) have departed due to resignation or deferred retirement in the last two years, with turnover rates at 9.30% in FY 2000 and 6.38% in FY 2001.

Discussion

This is the third consecutive year that a request for a special 25% wage adjustment for Dentists has been raised to the Panel.

The OSE’s exhibit documenting ten new hires in the DOC over the last two fiscal years demonstrates the DOC’s success in hiring new Dentist 16’s. Turnover has also declined during that same time period, dropping from a rate of 9.30% in FY 2000 to 6.38% in FY 2001. Recruitment and retention appear to be moving in a positive direction.

In its proposal to the Commission last year, the Panel expressed concern over the apparent discrepancy between the number of vacancies cited by the MSU, and the number of vacancies actually recognized by the Department of Corrections as positions it intends to fill. It appears, based on the information available to the Panel this year, that the DOC, while committed to filling vacancies, also believes that its workforce needs are being met through a combination of approaches to deploying resources, including overtime for classified dentists and supplemental contractual services. The Panel recognizes that the DOC is satisfied with the dental services provided and the current state of affairs, which includes a continuing recruitment effort.

Recommendation

THE PANEL PROPOSES that the Commission deny the MSU recommendation for a special pay increase for the Dentist 16 classification.

C. Emergency Response Compensation (ERC) for State Police Command Officers

OSE and MSPCOA Recommendation

As part of the consensus agreement, the OSE and the MSPCOA propose an increase to the Emergency Response Compensation (ERC) for Michigan State Police Command Officers from its current level of $3.75 to $4.00 per day, effective October 1, 2002.

The $3.75 per day ERC was first extended to command officers on October 1, 2000. The OSE stated that this increase corresponds to the increase that had been agreed to in a tentative agreement with the Michigan State Police Troopers Association (MSPTA), however, the members voted to reject the agreement which is now being resolved through the 312 Arbitration process.

Recommendation

THE PANEL PROPOSES that the Commission approve an increase in the ERC for command officers to $4.00 per day, effective October 1, 2002.

D. Vocational Rehabilitation Manager 15

Employee Recommendation – 10% Increase to the Maximum Salary Rate

The 15 employees in the Vocational Rehabilitation Manager 15 classification, represented by their attorney, Roger J. McClow, recommend a 10% increase to the maximum of their salary range. The employees are District Managers in the Michigan Rehabilitation Services program in the Department of Career Development. The increase is recommended to recognize changes their jobs have experienced in recent years. They have been given more responsibility for strategic planning and the development and direction of the regional programs. A 1997 reorganization reduced the number of District Managers from 29 to 15 and elevated the positions of the deputy division directors to whom they report from the 15 level to the 16 level. In 1999 the managers reporting to them were recognized as "complex" and reclassified from the 13 to the 14 level. These changes decreased the pay difference between them and their subordinates and increased the pay difference between them and their immediate supervisors.

The employees made this request after learning that a reclassification of their positions is not an option.

OSE Response

The OSE does not support any increase for the Vocational Rehabilitation Manager 15's. The OSE states that an increase would be inconsistent with the tentative agreements reached with the unions and would not be appropriate considering the criteria upon which the Panel bases its recommendations. There has been no turnover in this classification during the past 2 fiscal years.

Discussion

The Vocational Rehabilitation Managers 15 feel they should be due a salary increase because they have been in the middle of an organizational structure that allowed for upward reclassification of the positions above and below them resulting in salary increases. However, no evidence has been provided that these changes necessitate a change to the compensation rate for these positions. There is no apparent difficulty attracting candidates to fill the jobs and there is not a turnover problem. The pay differentials between these employees and the managers who report to them, and between them and the deputy division directors to whom they report, are typical of those found throughout state government in similar organizational configurations.

Recommendation

THE PANEL RECOMMENDS that the Commission deny the employee request for a special increase of 10% to the maximum salary rate for the Vocational Rehabilitation Manager 15 classification.

E. Out-of-State Premiums

Civil Service Commission Rules 5-6.3 and 5-6.4 require annual determinations of out-of-state premiums for certain employees working and/or residing out of state.

> ***5-6.3 Premium for Department of Consumer and Industry Services Insurance Examiners Working out of State***
>
> *a.* ***Eligibility.*** *An employee who (1) is employed as an Insurance Examiner in the department of consumer and industry services, (2) is classified as an Auditor 9-12, and (3) is required to work outside of the state of Michigan for extensive periods, is paid an out-of-state location premium.*
>
> *b.* ***Rate.*** *The civil service commission shall annually determine the amount of the out-of-state premium.*
>
> ***5-6.4 Premium for Department of Treasury Auditors Working and Residing out of State***
>
> a. ***Eligibility.*** *An auditor employed in the department of treasury whose principal work location and residence are outside of the state of Michigan is paid an out-of-state location premium.*

b. ***Rate.*** *The civil service commission shall annually determine the amount of the out-of-state location premium.*

No recommendations to change these premiums were made by any parties.

Recommendation

THE PANEL PROPOSES that the Commission approve continuation of the premiums for Department of Consumer and Industry Services Insurance Examiners working out of state, and Department of Treasury Auditors working and residing outside of the state, at their current levels of $10 and $25 per day, respectively.

III. GROUP INSURANCE

A. State Health Plan

The consensus agreement between the OSE and the LRO's recommends replacing the existing Basic Major Medical Plan (State Health Plan Advantage) with a Preferred Provider Organization (PPO) Plan to be known as "The State Health Plan", effective January 1, 2003. All details of the new plan, including coverage, deductibles, and co-pays, were submitted with OSE's position statement.

B. Prescription Drug Plan

The consensus agreement between the OSE and the LRO's recommends increasing the co-pays for prescription drugs by $2, effective January 1, 2002. This would increase the co-pay for generic drugs from $5 to $7, and from $10 to $12 for name brand drugs.

C. Dental Coverage

An increase to the annual dental benefit maximum for individuals is also being recommended in the consensus agreement. The maximum would increase from its current level of $1,000 to $1,250, effective October 1, 2002.

D. Long-Term Care Insurance

The OSE advised the Panel that a Long-Term Care benefit for employees and retirees will be implemented, effective April 1, 2002. Any premiums for this benefit will be fully employee paid. Discussion and study of the feasibility of an Elder Care Referral Service will also continue, but no action on the service is being recommended at this time.

Discussion

All of the above Group Insurance recommendations are included in the consensus agreement and supported by the four participating LRO's. The recommendations are also consistent with the tentative agreements between most of the exclusive representatives (UAW, MCO, SEIU, UTEA, MPES, and AFSCME) and the OSE.

Therefore, **THE PANEL RECOMMENDS** that the Commission approve the following.

- Effective January 1, 2003, replace the current Basic Major Medical Plan (State Health Plan Advantage) with a PPO Plan as outlined by the OSE.
- Effective January 1, 2003, increase the co-pay for prescription drugs by $2, to $7 for generic drugs and to $12 for name brand drugs.
- Effective October 1, 2001, increase the annual dental benefit maximum for individuals from $1,000 to $1,250.

THE PANEL ALSO RECOMMENDS that the Long Term Care benefit be implemented for NERE's as soon as possible, and that the OSE and the LRO's continue to study the feasibility of an Elder Care Referral Service to be made available for employees as soon as possible.

E. Domestic Partner Benefits

Employee Recommendation

Mr. Pedro Crespo, a manager at the Family Independence Agency, recommends that the state extend current medical and health care benefits to same-sex domestic partners of gay and lesbian employees. Mr. Crespo states that this is not a "new" benefit but an extension of an existing benefit to all employees.

Mr. Crespo believes this is an issue of fairness and suggests that domestic partner benefits can increase productivity by giving the same safety net to gay and lesbian employees that their heterosexual counterparts have. This would also improve recruitment and retention of the most qualified employees, as growing numbers of employers within the state and across the nation are now providing this benefit to their employees. Mr. Crespo provided the following from the Human Rights Campaign web site, "As of August 2001, 113 state and local governments offer domestic partner health benefits, 145 Fortune 500 companies, and 155 colleges and universities." He also included information from a study published in the November 2000 issue of *The Policy Journal of the Institute for Gay and Lesbian Strategic Studies*, which states that the cost increase of extending benefits is estimated to be less than 1% of the total benefits costs. Mr. Crespo agrees that fiscal considerations are important, but should not outweigh the importance of fairness and putting an end to what he perceives as a discriminatory situation.

OSE Response

The OSE opposes extending current medical and health benefits to same-sex domestic partners. The OSE points out that there are no negotiated agreements or impasse panel recommendations pending on this issue. In light of the current economic situation, the employer is concerned about any cost increases. Based on the 1% increase estimated in Mr. Crespo's position statement, the State would expect $5 million in increased costs.

Discussion

The Panel commends Mr. Crespo for bringing this issue forward, and for the thoroughness of the research and effort undertaken to prepare his position statement. There is clear evidence that the number of employers, both public and private, who are extending benefits to domestic partners, continues to grow. Eight states, several local governmental entities in Michigan, nine major universities in the state, the "big three" automakers, and many other private sector companies offer domestic partner benefits to their employees.

While recognizing that domestic partner benefits are becoming more common throughout the state and the nation, the Panel must refer to the guidelines by which it is required to derive its recommendations. First and foremost, none of the exclusive representatives have bargained for the extension of domestic partner benefits for their members. While not limited to making only recommendations which are in line with collective bargaining agreements, the Panel must recognize that the state is a single employer and extending this benefit only to nonexclusively represented employees would be inconsistent with that premise. The current financial condition of the state must also be considered, and at this time of budget constraints and benefit reductions, expanding benefits further and increasing costs by $5 million would not be prudent.

Recommendation

THE PANEL RECOMMENDS that the Commission deny Mr. Crespo's request to extend medical benefits currently available to married state employees to same sex domestic partners.

IV. OTHER GROUP BENEFITS

A. Professional Development Funds

OSE and LRO Recommendation

The OSE and the Limited Recognition Organizations participating in the consensus agreement recommend continuation of the Funds at their current levels. The fund for MSC employees would remain at $150,000 and the Fund for B & A employees would be renewed at its current level of $50,000. The OSE notes that there has been increased usage of the Funds over the last several years, largely due to the OSE web site which helps to promote the funds and explain how employees can benefit from this program.

Discussion

The Panel continues to support and encourage the professional development of the state workforce, even in times of budgetary constraints.

Recommendation

THE PANEL RECOMMENDS that the MSC Fund be renewed at its current level of $150,000, and the B & A Fund be renewed at $50,000.

V. MISCELLANEOUS

A. Special Severance Fund

OSE & LRO Recommendation

The OSE and the parties to the consensus agreement propose the establishment of a Special Severance Fund of $250,000 for NERE's, effective October 1, 2002. This would be available to employees who are laid off indefinitely on or after October 1, 2001, with payments from the fund being made on or after October 1, 2002. This fund would not apply to employees in the Department of Community Health who are otherwise entitled to severance payment because of "deinstitutionalization". Any money remaining in the fund on September 20, 2003 would not be carried over to the next fiscal year.

Discussion

With the potential for layoffs because of recent budget cuts throughout state government, a dedicated fund will help provide assistance to affected state employees.

Recommendation

THE PANEL RECOMMENDS that the Commission approve the establishment of a Special Severance Fund of $250,000 for NERE's, effective October 1, 2002.